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C O N F I D E N T I A L ABU DHABI 04586

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ACTION: ECON
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C O N F I D E N T I A L SECTION 01 OF 05 ABU DHABI 004586

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E.O. 12958: DECL: 12/15/2014

TAGS: ECON PGOV PINR TC

SUBJECT: ABU DHABI EMIRATE RESTRUCTURING

REF: A. ABU DHABI 3955

1B. 03 ABU DHABI 3208

1C. ABU DHABI 2254

(U) Classified by Ambassador Michele J. Sison, reasons 1.4
(b) and (d).

11. (C) Summary: On December 8, UAE President Khalifa, in his capacity as Ruler of Abu Dhabi, reorganized some local departments in the emirate, pared the membership on the Abu Dhabi Executive Council from 14 to 9 members, and appointed a presidential advisor with the rank of minister. President Khalifa also appointed his half-brother and Abu Dhabi Crown Prince, Sheikh Mohammed bin Zayed, as Chairman of the Abu Dhabi Executive Council. Sheikh Khalifa had been the Chair of the powerful Executive Council as Crown Prince of Abu Dhabi. Like the substantial federal cabinet reshuffle announced November 1, the latest changes, coming at the end of the 40-day period of mourning for the late President Sheikh Zayed, provide yet another signal of Abu Dhabi's efforts to rejuvenate and modernize government under Khalifa's and Mohammed's leadership. End Summary.

Abu Dhabi Government in Transition

12. (C) A December 8 overhaul of Abu Dhabi emirate's governing structure is the latest in what will likely be a series of moves to bring younger technocrats into senior positions at both the local and federal levels. Announced by President Khalifa in his capacity as Ruler of Abu Dhabi, the changes in Abu Dhabi are as significant, if not more significant, than the federal Cabinet reshuffle announced November 1 (see Ref. A) given Abu Dhabi's status as the economic and political powerhouse in the UAE. The Abu Dhabi Executive Council determines how Abu Dhabi's oil wealth is spent and wields tremendous influence over construction contracts and multi-year, multi-billion dollar expansion projects. Although the amount of money at the disposal of the Executive Council at any given time is unknown, Abu Dhabi

receives the lion's share of the UAE's oil and gas export earnings, which totaled USD \$22 billion in 2003 (see Ref. B).

¶13. (C) The appointment of Sheikh Mohammed bin Zayed as Chairman of the newly reconstituted Abu Dhabi Executive Council comes as no surprise (he succeeded Khalifa as Crown Prince of Abu Dhabi after the death of his father Sheikh Zayed). Sheikh Mohammed, who is also Deputy Supreme Commander and Chief of Staff of the Armed Forces, will have more control of Abu Dhabi as he will be handling the emirate's day-to-day affairs. Our contacts and newspaper reports say that the merger of Abu Dhabi government departments)- from 12 to seven)- was intended to eliminate duplication of responsibilities and increase productivity. At the December 12 swearing-in of the new Executive Council members, President Khalifa instructed the members to keep pace with the latest global advances so as to deliver quality service.

¶14. (C) The Executive Council deliberates and approves the merits of projects funded by the Emirate of Abu Dhabi, including federal projects. The council meetings generally are closed sessions, although technical advisers, project managers, and sheikhs may attend if they have a stake in a project or are invited to attend. The Chairman can authorize projects valued up to a set, designated amount, but multi-billion dollar projects must receive final approval from the Executive Council. Our working-level contacts within the various Abu Dhabi departments have told us that Sheikh Khalifa's consensus-driven management style set the tone for discussions, which were non-confrontational and ended with general agreement. That is not expected to change under Sheikh Mohammed's leadership, our contacts say.

¶15. (C) The Executive Council Reshuffle largely mirrors Sheikh Khalifa's surprise shake-up of the Supreme Petroleum Council (SPC) in July 2004 (see Ref. C). The SPC, responsible for determining Abu Dhabi's oil policy, is part of the nexus of economic power in Abu Dhabi. The similar composition of the Executive Council and the SPC may indicate increased cohesion in economic policy in Abu Dhabi Emirate. Several of the same advisors that were eliminated from the SPC in July were also eliminated from the Executive Council, including Sheikh Tahnoon bin Mohammed Al Nahyan, Sheikh Saeed bin Tahnoon Al Nahyan, Sheikh Suroor bin Mohammed Al Nahyan, and Ali bin Ahmed Al Dhaheri. These older and less-educated sheikhs were considered to be unduly influenced by the majlis circle. New Executive Council members who also sit on the SPC include Sheikh Mohammed bin Zayed Al Nahyan, Ju'an Salem Al Dhaheri, and Sheikh Hamed bin Zayed Al Nahyan.

The New Executive Council

¶16. (C) In addition to Crown Prince Mohammed, two of the late Sheikh Zayed's sons sit on the Executive Council) Saeed and Hamed. Sheikh Khalifa's two sons, Sultan and Mohammed, also sit on the council, which retains a balance of Abu Dhabi and Al Ain family affiliations. The following is a description of the newly reconstituted Abu Dhabi Executive Council, including brief profiles of its nine members (five of whom are new) and new Secretary General:

-- (C) Sheikh Saeed bin Zayed, Chairman of Seaports Department: Born in Al Ain in 1965, he graduated with a BS in Political Science and Economy from the UAE University in Al Ain. He was appointed Under Secretary for the powerful Department of Planning in 1988, then he became Chairman of Seaports in 1991. His mother, Aisha Al-Darmaki, is from the very influential and business-oriented Al Darmaki tribe. He is considered to be an ally of Sheikh Mohammed.

-- (C) Sheikh Hamed bin Zayed, Chairman of the Department of Economy and Planning: Born in Abu Dhabi in 1971, he graduated with a BS in Economy from the UAE University in 1994. He acquired his Masters degree in Economy from Wales University in the U.K. He has been chairman of the Economy Department since 2000. Later, he was appointed Chairman of

the Board of the General Authority for Health Services. He also occupies the position of President of the Higher Institution for Specialized Economic Areas. With the reshuffle, he now is Chairman of the merged Department of Economy and Planning. He is also on the board of the SPC. American businessmen here say he is a progressive thinker and has been supportive of privatization of the health services sector.

-- (C) Brig. Gen. Sheikh Sultan bin Khalifa, Chief of the Abu Dhabi Crown Prince's Court: The President's eldest son, Sheikh Sultan was born in Al Ain in 1965. In 1985, he graduated from the UAE University and then joined Zayed Military College and graduated from officers training in 1988. Then he joined Sandhurst College in the U.K. where he graduated in 1989. He graduated from the Staff and Command College in the UAE in 1996. He received a fellowship from Nasser Higher Academy in Egypt in 1998 and then his PhD in Political Science from Ireland University in 1999 and another PhD from Nasser Higher Academy in 2000; his dissertations were written by others. He has been the Chief of the Abu Dhabi Crown Prince's Court for more than 10 years. He is also Honorary President of the Abu Dhabi Chamber of Commerce and Industry, and has significant real estate holdings in Abu Dhabi. He has been known to use his ruling family status to take advantage of commercial opportunities in Abu Dhabi and ask for kickback payments (see Ref. B).

-- (U) Khalfan Ghaith Al Mehairbi, Chairman of Municipalities and Agriculture: Born in Abu Dhabi in 1955, he was sent on a scholarship to the U.S. where he graduated with a BS in Economy and Business Administration from St. Vincent University in 1979. He worked as Deputy Manager for the local and Arab Investment Department at Abu Dhabi Investment Authority, then as Assistant Under Secretary at the Department of Finance, then as an Under Secretary for customs affairs, then head of purchasing and housing at the same department.

-- (U) (NEW MEMBER) Sheikh Mohammed bin Khalifa, Chairman of Finance Department: The President's other son, Mohammed was born in Abu Dhabi in 1972 and graduated from the UAE University in 1994. He acquired his Master's degree in Political Science from Colorado University in 1996. He was the Chairman of Abu Dhabi Retirement, Pensions and Benefits, and Chairman of the Board of Khalifa's Award for Teachers. He has worked as an executive manager for the European Investment Department at Abu Dhabi Investment Authority (ADIA) since 1997 and at the same time he has served as an ADIA board member.

-- (U) (NEW MEMBER) Sheikh Ahmed bin Said Al Nahyan, Chairman of Civil Aviation Department: Born in Abu Dhabi in 1963, Sheikh Ahmed graduated with a BS in Political and Administrative Science from the UAE University in 1985. He obtained his Master's degree in Business Administration in California in 1988 and his PhD in Political Science from Cairo University in 1997. He occupied the position of Under Secretary of the Civil Aviation Department from 1992 to 2000

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and Executive Manager of Gulf Air from 1996 to 2000. He also was a pilot in the air force and a pilot trainer for Boeing and a captain of Airbus aircraft. Then he worked as the head of the Gulf Air Maintenance Company (GAMCO) from 2001. He has been President of Al Ittihad Air since 2003.

-- (C) (NEW MEMBER) Ju'an Salem Al Dhaheri, Chairman of Social Services and Commercial Building Department: Born in Abu Dhabi, Al Dhaheri went on a scholarship to the U.K. where he received a Higher National Diploma in Business Administration. Upon his return to the UAE, he joined the Department of Finance where he was promoted to Under Secretary. He was assigned other positions while he was with

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the Department. He supervised the committee which merged seven social organizations into Zayed Higher Institute for

Humanitarian Works, then he was appointed Chairman of its board. He reportedly received a PhD from a U.K. university. Al Dhaheri is a protege of new minister Mohammed Habroush Al Suweidi. He is one of Abu Dhabi's leading minds and an expert on the financial aspects of the oil business. He also sits on the SPC.

-- (C) (NEW MEMBER) Khalidoun Al Mubarak, Chairman of Organization and Administration Department: Born in Abu Dhabi in 1976, Al Mubarak graduated from the American School in Abu Dhabi in 1991, then was sent on a scholarship to the U.S. where he obtained a BS in Economics from Tufts. After graduation in 1997, he was responsible for virgin oil sales for East Asia at Abu Dhabi National Oil Company (ADNOC). In 1998, he joined UAE Offsets Group to work as projects manager, and in 2000, he was appointed Deputy CEO for Dolphin Energy Ltd. In 2002, he was appointed COO for Mubadala. He is said to be very close to Sheikh Mohammed bin Zayed. He is the son of Khalifa Ahmed Abdul Aziz Al Mubarak, who was assassinated in 1984 while serving as UAE ambassador to France.

-- (U) (NEW MEMBER) Hamad Al Suweidi, Finance Department Under Secretary: Born in Abu Dhabi in 1965, he went to the U.S. on a scholarship where he obtained his BS in Business Administration from Dominican College in 1987 and his Master's in Financial Management from California State University San Bernardino in 1991. He worked in the North American Department at Abu Dhabi Investment Authority, then he transferred to ADIA's office in London where he occupied the position of Deputy Manager from 1992-94. He then went back to ADIA in Abu Dhabi to work as Deputy Manager at the European Department. In 1996, he moved to the Department of Finance where he served as Assistant Under Secretary until his appointment as Under Secretary in the latest reorganization.

-- (U) (NEW SECRETARY GENERAL) Mohammed Al Bawardi, Secretary General: Born in 1955, Al Bawardi obtained his BS

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in Political Science and History from Lewis and Clark College in 1981. He occupied several positions in the environmental and development sectors, and is now Deputy Chairman of the Board of the Federal Environmental Authority and a member of the Environmental Research Authority and Environmental Research and Wildlife Development Authority (ERWDA) in Abu Dhabi. He also heads a number of national organizations. He is Chairman of the Emirates Wildlife Association, and Deputy Chairman of the Emirates Falcon Club.

¶17. (C) In addition to the decree restructuring the Executive Council, President Khalifa issued a decree appointing his trusted advisor Mohammed Habroush Al Suweidi as presidential advisor with the rank of minister. Born in Abu Dhabi, Habroush graduated from Doha High School in Qatar. He was sent on a scholarship to the U.K. then to Baghdad where he graduated with a BS in trade. After his graduation in 1969, he worked as Deputy Chief of the Emiri Court, then as a Minister of State for Finance and Economic Affairs. He also worked as CEO for ADIA. He is Chairman of several institutions, boards of directors, including the National Bank of Abu Dhabi. He had been a member of the Executive Council. Habroush is the long-term personal advisor to Sheikh Khalifa on financial matters, and is enormously respected, incorruptible, and semi-reclusive. He plays a key behind-the-scenes role in almost all of Abu Dhabi's main financial institutions. Habroush was a former member of the Abu Dhabi Executive Council, when President Khalifa was its chair. He followed his boss from the Executive Council to the presidency.

Off the Council

¶18. (C) Gone from the Executive Council are:

--Sheikh Sultan bin Zayed Al Nahyan, the council's deputy

chairman, Deputy Prime Minister and second eldest son of former President Zayed. Sultan has a history of drug and alcohol problems. With former President's appointment of Sheikh Mohammed as the Deputy Crown Prince in late 2004, his role in the line of succession was removed.

-- Sheikh Tahnoon bin Mohammed Al Nahyan, the council's deputy chairman, and also the President's Representative to the Eastern Region (Mayor of Al Ain). Tahnoon is in his sixties and is a respected elder and close adviser to Khalifa. He is a senior member of the Al Nahyan family, but is only informally schooled.

-- Sheikh Saeed bin Tahnoon Al Nahyan, head of Al Ain Municipality, and the most prominent son of Sheikh Tahnoon bin Mohammed.

-- Sheikh Hamdan bin Mubarak Al Nahyan, Chairman of the Abu Dhabi Civil Aviation Department. From Al Ain, he is a son-in-law of Sheikh Tahnoon bin Mohammed.

-- Sheikh Suroor bin Mohammed Al Nahyan, the Chamberlain of the Presidential Court and prominent businessman. He is a son-in-law of the late Sheikh Zayed.

-- Sheikh Mohammed bin Butti Al Hamed, the President's Representative to the Western Region (Mayor of Abu Dhabi). Our contacts say he resigned as Abu Dhabi Mayor in October amid allegations of corruption. He reportedly used his municipal position to benefit his private business interests --) he chairs the Al Hamed Group of Companies, and is one of 14 shareholders in Al Ahlia General Trading Co. Ltd. (the local agent of BMW).

-- Ali bin Ahmed Al Dhaheri, from Al Ain, the former Secretary General of the Executive Council and a businessman.

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He reportedly made millions of dollars simply by agreeing to put certain projects on the council's agenda for deliberation. Al Dhaheri has owed his prominent position to a close friendship with Sheikh Khalifa, although there have been long-term indications that his prominence has been declining.

-- Mohammed Sultan bin Suroor Al Dhaheri, who represents a powerful business family in Abu Dhabi and Al Ain, and is the managing partner in the Al Dhaheri Group of Companies, the most prominent of which is the Union Bank of the Middle East. He formerly served as Central Bank Governor.

-- Mohammed Saleh bin Badwa Al Darmaki, a confidant of Sheikh Khalifa and former Chairman of the Abu Dhabi Customs Department.

-- Musallam Saeed Al Qubaisi, who was Chairman of the Abu Dhabi Department of Planning, perceived by American businessmen to be the most corrupt and ill-managed department in Abu Dhabi municipality (Ref. B).

Departments merged

¶9. (U) The changes announced December 8 also include the merger of a number of Executive Council departments to eliminate overlapping responsibilities and services. Sheikh Khalifa reduced the number of departments from 12 to 7. He merged Procurement and customs into one Department of Finance; Works, municipality and town planning of both Al Ain and Abu Dhabi, as well as the Al Ain agriculture and animal wealth into one Department of Municipalities and Agriculture; and Planning and economy into Department of Planning and Economy.

Media reactions to the changes

¶10. (U) Al Ittihad, Abu Dhabi's semi-official Arabic daily, commented that the restructuring of the Executive Council

coincided with the economic and social developments that the UAE is undergoing, which require pumping in new blood in the government body.⁸ The editorial hailed the appointment of Sheikh Mohammed, saying he brings a new perspective and will ensure follow-up. The merger of some departments will improve their performance and achieve more transparency, Al Ittihad said. Dubai-based Gulf News commented that President Khalifa & injected new blood⁸ by appointing MbZ, and said the merger of departments reflects a new direction of operations. Sharjah-based Al Khaleej ran an article praising MbZ's accomplishments and vision, his role in developing the UAE Armed Forces, diversifying the sources of defense weapons, and developing human resources.

Comment:

¶11. (C) Abu Dhabi's leadership continues to make significant changes aimed at rejuvenating and modernizing local and federal level government institutions, all of which bodes well for American companies who do business here. Just as the ministerial reshuffle of early November brought in younger technocrats to manage federal cabinet portfolios and breathe new life into a dysfunctional federal system, the Abu Dhabi government restructuring puts more Western-educated, younger men in key positions to administer the emirate's considerable wealth.

¶12. (C) The appointment of MbZ as chair of the council also indicates that the rumored disputes between KbZ and MbZ are, at least for the time being, overstated. The Executive Council controls the money for the Emirate of Abu Dhabi, and indirectly for the UAE as a whole. It was a significant source of financial power for Khalifa when he was Crown Prince. As President, he will need to shift his focus from Abu Dhabi to the UAE as a whole. His willingness to do so indicates full confidence in his half-brother Mohammed.

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